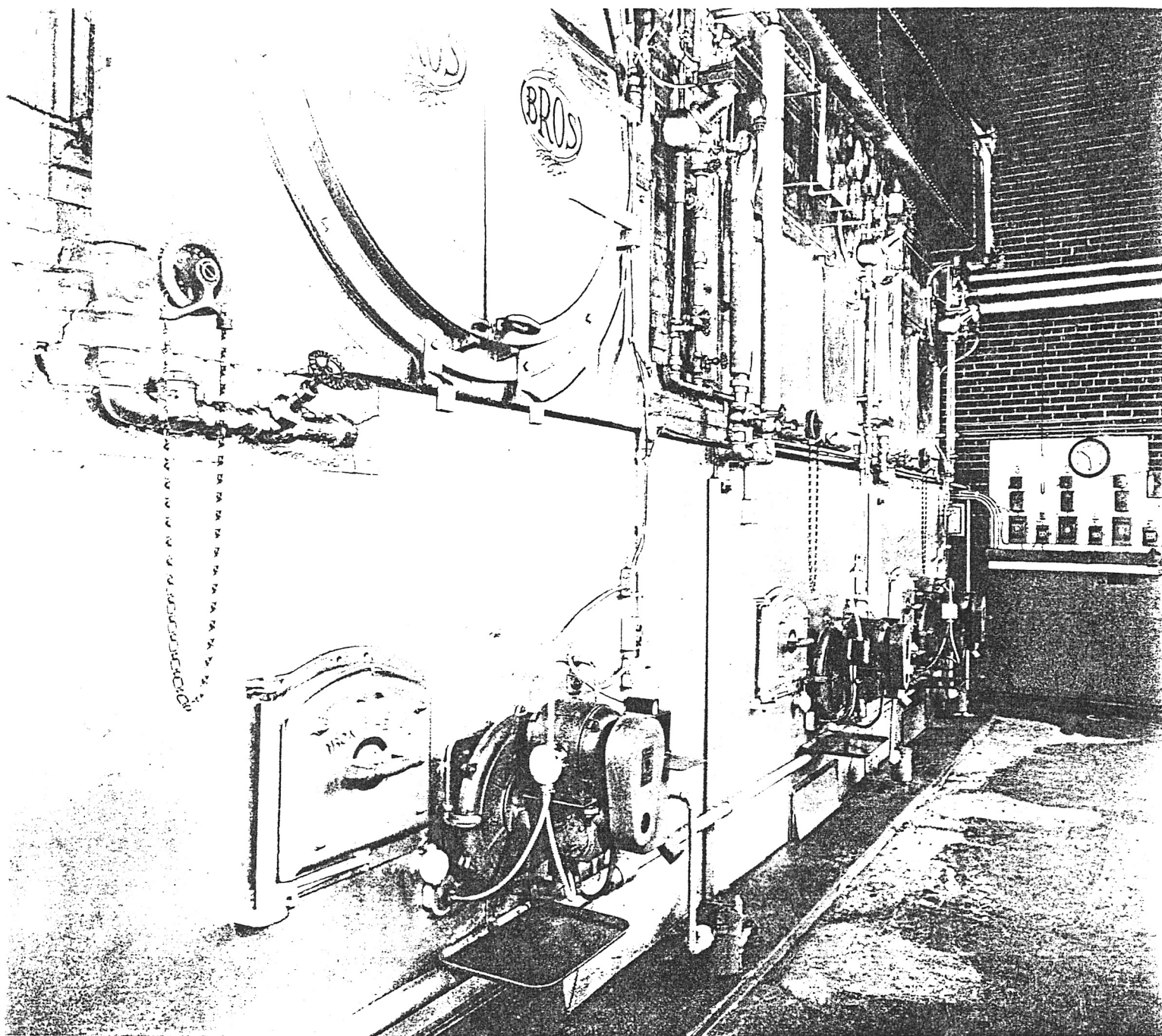


IRON FIREMAN



Twenty-Third Annual Report

1948



Iron Fireman Industrial Oil Burner operating in the heating plant of the Washington State School for the Deaf at Vancouver, Washington. This plant also supplies steam for the school laundry and for heating the Washington State School for the Blind a short distance away.

TWENTY-THIRD ANNUAL REPORT COVERING THE OPERATIONS OF IRON FIREMAN MANUFACTURING COMPANY FOR THE YEAR 1948

President's Letter

To the Stockholders:

Results of 1948 operations—the 26th year of activity for Iron Fireman Manufacturing Company—have been generally satisfactory. Dollar income from sales exceeded all previous peacetime years; profits from operations were satisfactory; and, the organization was strengthened in several respects, placing it in a better position for manufacturing and sales distribution during the years ahead.

Two adverse factors confronted the Company throughout the year—a constantly shifting fuel situation, and an acute shortage of sheet steel.

When several mills, from which steel had been obtained over a period of years, were purchased by large corporations who diverted the entire output to their own use, the Company had to find other sources of supply. Premium prices totaling approximately \$150,000 were paid out to obtain sufficient steel to keep assembly lines moving. This action was considered necessary to protect the good name of the factory and our dealer organization whose customers were demanding these products.

The shortage of steel had another serious effect on 1948 profit possibilities, since at no one

time throughout the year did we have sufficient steel on hand in our plants to enable the manufacturing departments to make economical production runs of sheet metal parts used in the finished products.

The chaotic fuel situation of the previous year stabilized somewhat during 1948. In many local areas, however, fuel shortages and a poor quality of fuel retarded sales.

The fuel situation, which is shifting constantly, is being studied closely by management. The market for automatic heating and power equipment has grown rapidly and steadily. This trend may be expected to continue. However, the comparative costs of each fuel and the availability in each locality will have a decided influence on the sale of each line of products that we produce, not only next year, but in the years to come. For this reason, a summary covering the outlook for each of the three fuels—coal, oil, and gas—has been included in other sections of this report so as to project for the stockholders a picture of the coal, oil, and gas industries and what the Company is doing to protect and promote the interests of stockholders and employees.



Sales

Net sales for 1948 amounted to \$13,227,168—an increase of 3.2% over 1947.

The 1948 sales pattern for each type of product varied considerably from 1947. A year ago oil burners were in great demand and a considerable percentage of our total sales volume came from this equipment. During 1948, however, the entire oil burner industry suffered, due to shortages of oil and restrictions on new equipment sales. Iron Fireman oil burner sales suffered accordingly.

Offsetting the reduced oil burner volume, Iron Fireman stoker sales showed a fine increase—64% over 1947. This increase compares to only a 24% increase for the stoker industry as a whole.

Profit

Profit for the year was \$701,225.05, equal to \$1.95 per share on the common stock outstanding. For every dollar of sales, the Company earned approximately five cents, which includes retail branch profits as well as manufacturing profits.

Distribution

Two channels of distribution are followed in selling Iron Fireman heating and power equip-

ment for the three fuels—coal, oil, and gas. Retail branches are operated by the Company in seven metropolitan areas. These branches sell the full line of equipment. They not only provide an outlet for all of the products that we manufacture but develop many new marketing techniques. All other markets are covered by dealers who are given a contract for a specific territory. These dealers are allotted only those products which they are capable of handling, based upon the size of their organization, their finances, and engineering knowledge.

Experience gained in the marketing of a full line of products for heating and industrial uses has developed the fact that dealers must be selected who are qualified through engineering knowledge, sales ability, and proper financing to handle the particular product or products that predominate in the market. Toward this end considerable research work has been started and will be carried on in determining the availability and comparative costs of each fuel so that all facts will be available to assist management in the scientific selection of dealers to handle Iron Fireman products.

Product Development

During the past year a considerable amount of development work has been done in the gas equipment field to qualify Iron Fireman gas burners and furnaces for sale in each territory.



There is a wide variance of opinions and standards that must be followed to meet the approval of individual gas companies and local code requirements. In the oil burner industry, approval by Underwriters' Laboratory qualifies the equipment for sale in practically every city. In the gas industry, however, the American Gas Association approval is not acceptable to many local gas companies and city authorities who make their own tests and place their own stamp of approval on the equipment before it can be installed. A furnace acceptable in one city may require special refinements or heavier gauge steel to make it satisfactory in another territory. At present, Iron Fireman gas burners and furnaces have been qualified for sale in practically every major market in the United States.

A new type of pneumatic spreader stoker for large industrial plants was given limited distribution through a selected group of dealers during the past year and proved so satisfactory that it will be released to all qualified dealers this year.

In addition to development of these products, considerable research work was carried on in our laboratories developing a new oil-fired furnace for small homes, also in making certain engineering improvements to our present line of equipment. All of this work has resulted in new products and engineering refinements which will be made available for sale in 1949.

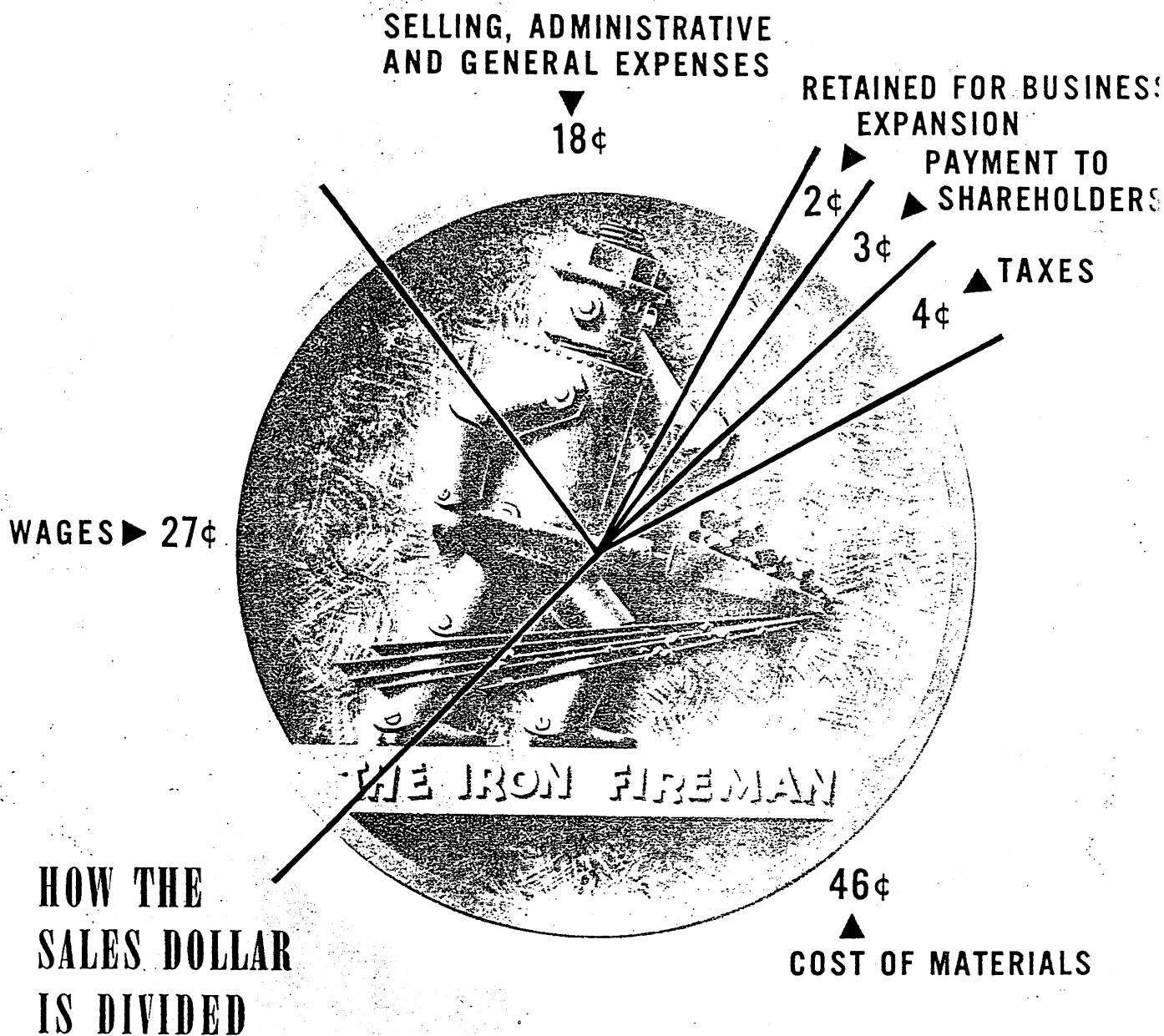
Personnel

Employee relations in all of our plants have been carried on quite satisfactorily during the entire year.

It is the policy of management to provide year-round employment for as many employees as possible. Production schedules are planned with this purpose in mind. It is felt that such a policy gives each employee a feeling of confidence and security, and that as a result the caliber of our employees is high and that each one will be better satisfied, loyal, and more efficient over a period of time.

Manufacturing

Certain changes have been planned for the various manufacturing units. Some have been completed and others are in process. These changes, which are intended to consolidate the manufacturing activities where the majority of the products will be sold, are imperative for several reasons. Freight charges, as well as material handling costs, have been mounting steadily and have reached a point where it is no longer feasible to fabricate parts and products in Portland for sale in the eastern markets. Also, the time required for transportation of material from the Portland plant to the Cleveland



plant has in certain instances been a handicap in meeting production schedules.

The manufacture of stokers and heating equipment for the United States will be carried on in eastern locations and for the Canadian territory in the Toronto plant. The Portland plant is now using most of its production facil-

ities on contract work for Boeing Airplane Company. Additional work of this type will be brought in so as to utilize facilities to the maximum extent. The Heating Control Division in Portland is manufacturing the controls used with Iron Fireman products and will assemble related products which are developed in that plant.

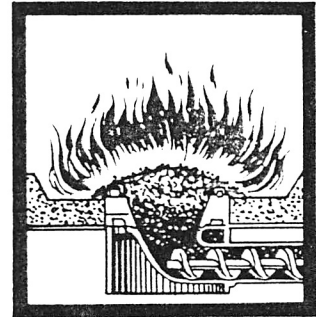
Coal is plentiful in most sections of the United States. It is mined in many different areas and the price is relatively constant, but varies according to transportation rates. A good quality of stoker coal was sometimes difficult to obtain during the war years, but this situation was overcome and adequate supplies are available.

Fuel oil is also plentiful after being in short supply during the war years due to heavy demands by the armed forces. It is used in almost all sections of the country, but predominates on both the Atlantic and Pacific Coasts where water transportation makes possible low retail selling prices in comparison to the other fuels.

Gas is restricted to areas served by existing mains and distribution facilities. It is available in most large cities and is extensively used throughout the Midwest and Southwest. Where natural gas is available, the price is on a par with either of the other two fuels. The natural gas industry is extending its distribution facilities into many new markets. This is a long range program and will take years to complete.

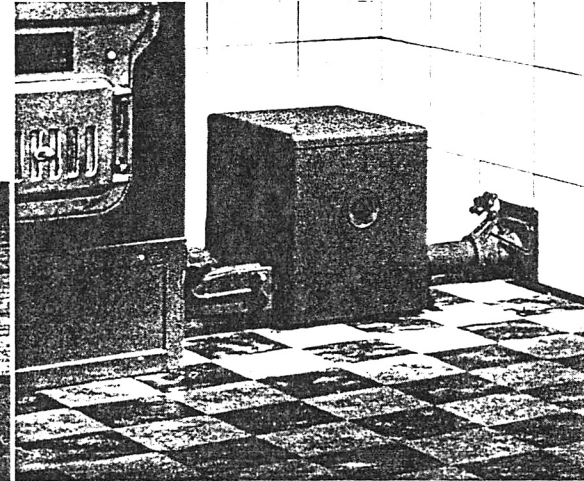
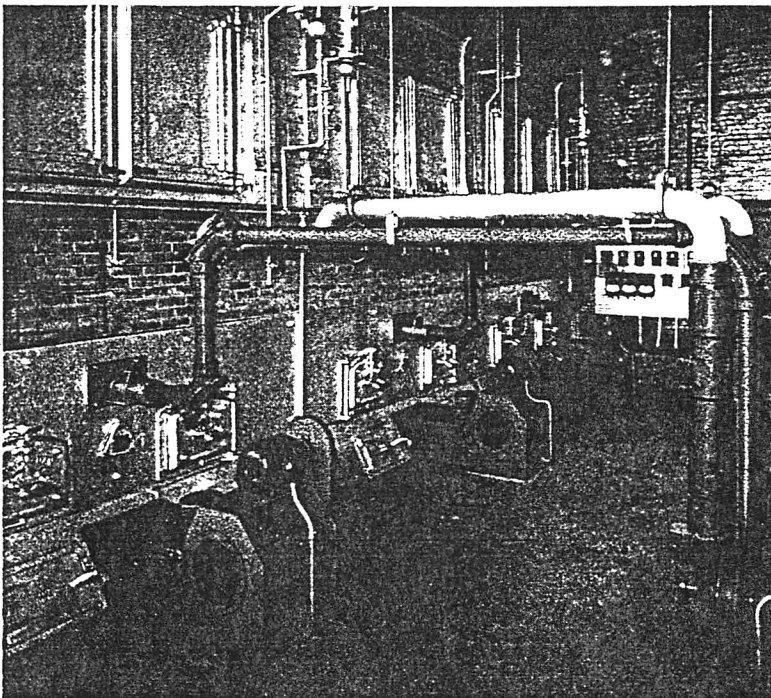
There has been considerable speculation about the future of the oil and gas industry and certain

The Iron Fireman stoker produces a clean, bright, radiant flame, without smoke—a sure sign of complete combustion and high efficiency.

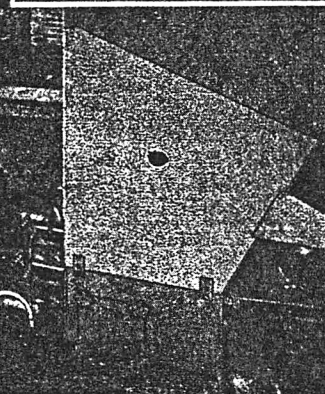


comments regarding depletion of these resources. The fact remains, however, that gas and oil consumption have increased tremendously and yet the known reserves of both fuels are greater now than ever before.

With this broad picture before us, Iron Fireman has developed products to exploit the sales possibilities in any and all parts of the country, for making heat and power from any one of the three major fuels.



The Iron Fireman Residential Coal Flow Stoker.



The Iron Fireman Pneumatic Spreader Stoker.

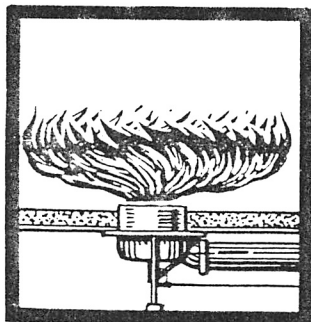
COAL AND IRON FIREMAN STOKERS

For many years coal has been referred to as America's basic and permanent fuel supply. It is available in all sections of the country and in certain areas is the only fuel available in substantial quantities and at a reasonable cost. In these markets, those individuals who want automatic heating for homes or industrial plants, must turn to the coal stoker. Also, there is a large segment of the American population with limited purchasing power who want and need automatic heat and must have it on the most economical basis.

Iron Fireman is widely known as "the machine that made coal an automatic fuel." Iron Fireman pioneered the small stoker field, and over a period of years developed stokers to fit all types of applications.

Most stokers work on the same basic principle and from outward appearance are quite similar. Iron Fireman, however, has endeavored to build into its product an extra measure of value through engineering design. Our engineers have been able to produce a unit that will feed and burn coal more efficiently and give trouble-free operation over a long period of time. In addition to product engineering, consideration has been given to the needs of individual purchasers. Hopper model units are available for those individuals who require low cost automatic heating equipment, and DeLuxe bin-feed models are available for many applications.

Sales statistics show that these policies are sound. While unit sales of the stoker industry increased 24% in 1948 over the previous year,



Iron Fireman oil burners make a clean, bright radiant flame, without smoke—a sure sign of complete combustion and high efficiency.

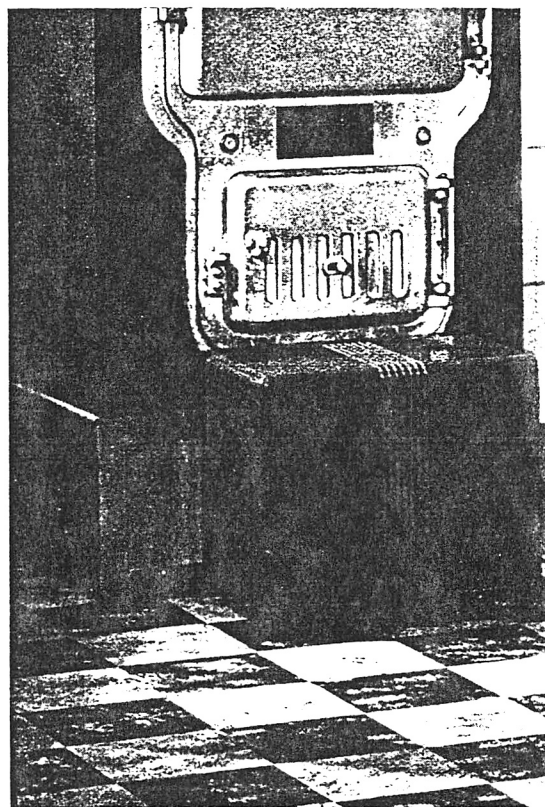
Iron Fireman stoker sales increased 64%. Our reputation is well established among home owners, and in the heating and engineering fields. There is every reason to expect that Iron Fireman will hold this position.

OIL AND IRON FIREMAN OIL BURNERS

Now that the heavy demand placed upon the petroleum industry by the armed forces is past, fuel oil is again available for home heating and stocks are adequate throughout the country. Our nation's reserves are at a peak and are increasing. In 1948, almost 40,000 new wells were completed as compared to 27,000 in 1938.

The light fuel oils are generally used for residential and small commercial heating installations, while the heavy residual fuel oils are used for industrial applications and large heating installations due to the high heat value and low cost of these oils.

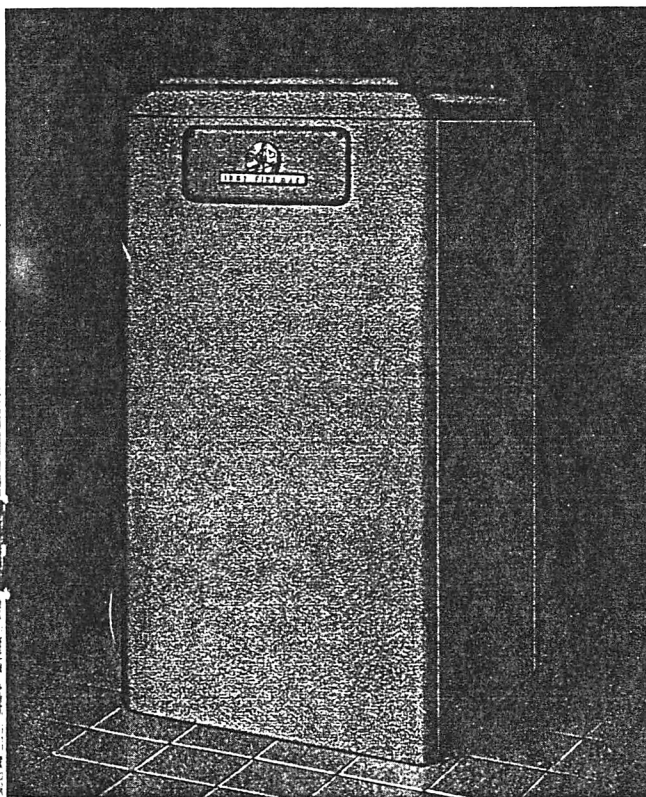
Iron Fireman Vortex Oil Burner



In 1945, Iron Fireman introduced the Vortex Oil Burner, named for its principal feature—a unique, whirling, bowl-shaped flame which produces radiant heat. This burner is different from anything on the market and has proved its superiority in combustion efficiency and better all around performance. It is available as a conversion burner and also in combination with Iron Fireman furnaces or boilers for warm air, hot water, or steam heating systems.

The Iron Fireman Industrial Oil Burner is designed to burn the heavy oils and with its exclusive Oil Volumeter is being given a fine reception by the heating trade. This Oil Volumeter gives a positive oil feed regardless of the viscosity of the oil. Sales of this burner are growing steadily and many fine installations are being made, such as the one illustrated on the inside front cover of this report.

Iron Fireman Gas Furnace



Iron Fireman also has introduced a line of commercial oil burners for burning light oils to fill in between the Vortex and industrial burners and thus round out the line of oil burning equipment.

GAS AND IRON FIREMAN GAS BURNERS

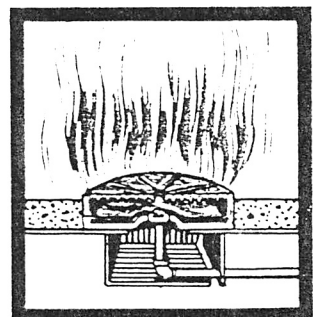
Gas for home heating has grown rapidly during the last decade. Except for restrictions placed on the extension of natural gas use by scarcity of equipment both during and after the war, it is probable that a substantially greater growth would have been established.

The Iron Fireman gas burner is designed to produce the same kind of radiant heating that is a unique feature of all Iron Fireman equipment. This is achieved by means of a special refractory heating element which turns the normally non-radiant gas flame into an efficient radiant flame.

Iron Fireman gas burners are available for manufactured, natural, mixed, butane-air, and liquefied petroleum gases. Also, units with heavier combustion elements and special refinements have been designed to meet requirements of local gas companies in several areas. The approval of the American Gas Association has been obtained on the full line of gas equipment, and special approval has been secured from practically every major gas utility in the country. Therefore, Iron Fireman burners can be sold and installed in all markets where gas is now available.

Considering that in 1948 some 290,000 gas burners were sold in the United States, the Iron Fireman Gas Burner has promising marketing possibilities, which are being developed through aggressive sales promotion and advertising and through an ever-expanding dealer organization.

A gas flame normally is non-radiant, but the Iron Fireman Gas Burner produces radiant heat by means of a special refractory heating element surrounding the flame. This becomes incandescent and produces an efficient radiant flame in the same manner as an Iron Fireman stoker fire or Vortex oil fire.

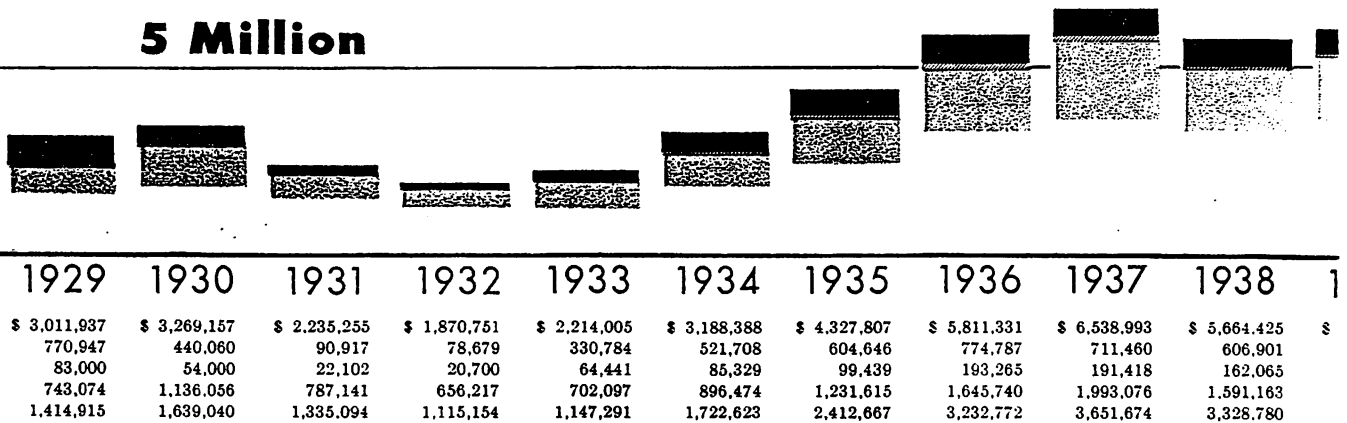


20 Million

15 Million

10 Million

5 Million



A Brief History

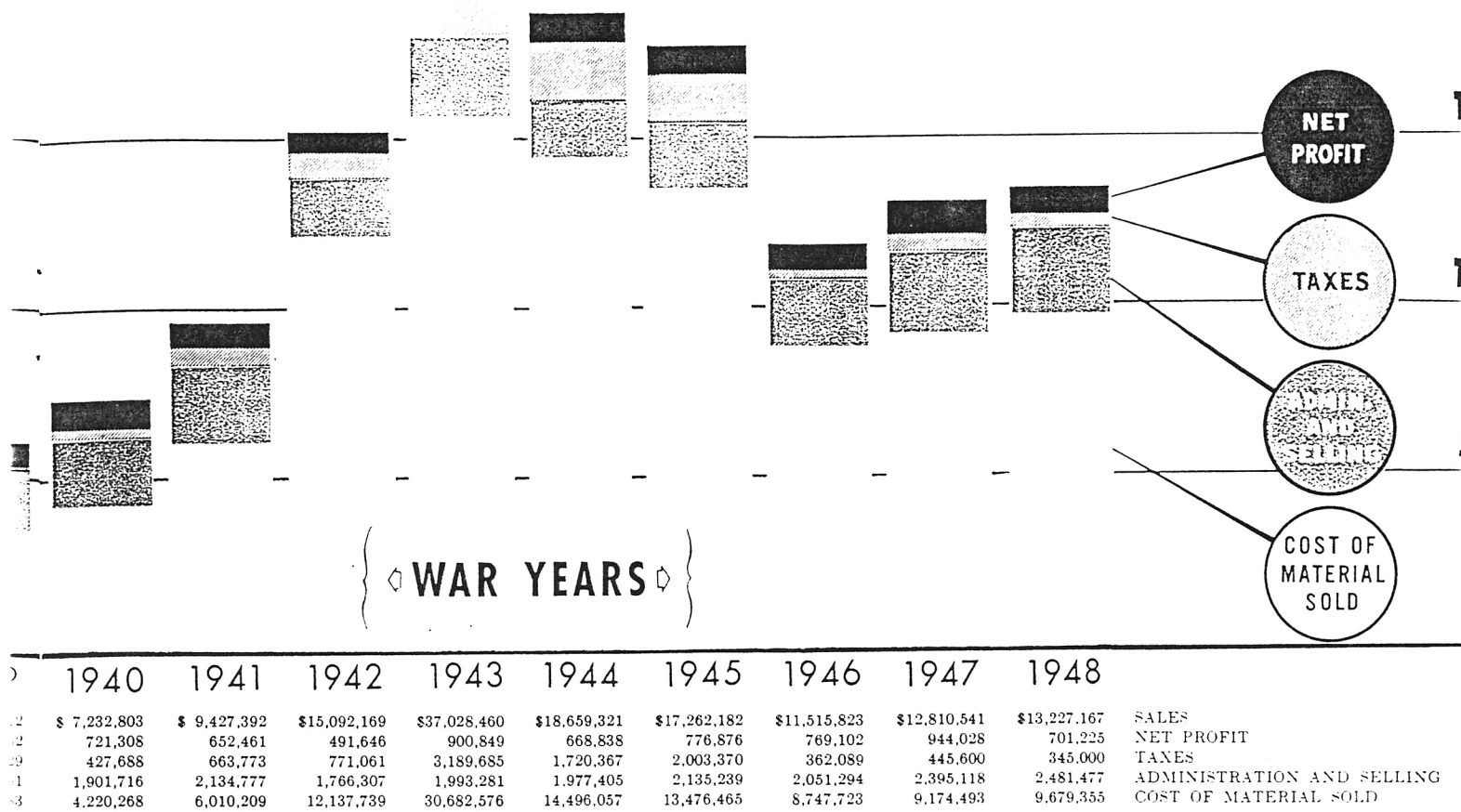
In response to many inquiries as to the origin of Iron Fireman, we are relating a brief history.

The inception of Iron Fireman Manufacturing Company occurred when the contracting firm of Parker & Banfield bought the Portland Wire & Iron Works early in 1923. As one of the leaders in its field, Parker & Banfield had erected many large buildings, bridges and similar structures throughout the Pacific Northwest over a period of years. The Portland Wire & Iron Works was acquired in order to fabricate wrought iron work and light structural steel needed in the firm's contracting operations.

Among the patterns and tools in the Portland Wire and Iron Works were some for a crude stoker. Several of these stokers had been

built and sold in Portland and the surrounding area. During the first year numerous requests were received for parts and orders for the equipment. It was then that the Portland Wire and Iron Works assigned its engineers to work on further development. Possibilities of the stoker business seemed so great that in 1924 the Iron Fireman Manufacturing Company was organized to take over the manufacture and sale of the automatic stoker, and the present line of Iron Fireman stokers became a fact. Oil and gas burners, boilers and furnaces were added later.

The automatic stoker had its effect upon the coal industry in the country, and its story is as dramatic as one will find in the annals of American enterprise.



The Iron Fireman business was operated as a close corporation until the accidental death of C. J. Parker on December 12, 1927, and thereupon the management of the corporation was assumed by T. H. Banfield.

In 1928 stock was offered to the public under a Ten-Year Voting Trust Agreement. The stock was listed on the Chicago and New York Curb Exchanges. The Voting Trust Agreement has

twice been renewed—in 1938 for the second ten years, and again in 1948 for the third ten-year period.

Financial history of the Iron Fireman Manufacturing Company is graphically illustrated by the corporation's operating figures shown above. In the 20 years illustrated, every year has shown a profit, and every year except one has seen dividends paid.

A Record of 63 Consecutive Iron Fireman Dividends . . .

Since 1933, sixty consecutive quarterly and three special dividends have been paid. A share of Iron Fireman stock, which was originally offered to the public in 1928, including the 50% stock dividend in 1934, has yielded \$31.87 in cash dividends.

Annual cash dividend payments per share are shown on the right.

Year	Dividend	Year	Dividend
1929	\$1.00	1939	\$1.20
1930	1.50	1940	1.45
1931	1.35	1941	1.20
1932	.30	1942	1.20
1933		1943	1.20
1934	.80*	1944	1.20
1935	1.00	1945	1.20
1936	2.00	1946	1.20
1937	1.50	1947	1.20
1938	1.20	1948	1.20

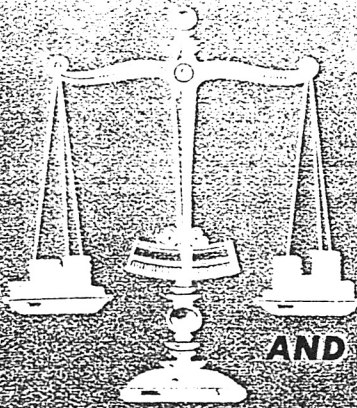
*Plus 50% stock dividend

BALANCE

IRON FIREMAN MANUFACTURING COMPANY

ASSETS

	December 31	
	1948	1947
CURRENT ASSETS:		
Cash in banks and on hand.....	\$1,531,364.67	\$1,068,403.54
Savings bonds held for sale to employees.....	5,193.75	12,151.50
Cash surrender value of life insurance policies.....	311,990.05	285,809.30
Accounts receivable—		
Trade.....	850,774.82	694,007.02
Contracts receivable on equipment installations.....	849,462.55	672,209.17
(of which \$175,000 (1948) and \$125,000 (1947) is receivable after one year from balance sheet date)		
Other receivables.....	29,258.75	40,092.04
Reserve for doubtful accounts.....	(142,507.87)	(133,265.29)
Inventories of raw materials, work in process and finished products, at average cost or market, whichever was lower.....	4,000,375.59	4,205,917.33
Total current assets.....	\$7,435,912.31	\$6,845,324.61
CAPITAL ASSETS, AT COST:		
Buildings, machinery and equipment.....	\$3,323,538.74	\$3,047,281.03
Reserve for depreciation.....	1,201,057.34	896,315.52
	\$2,122,481.40	\$2,150,965.51
Plant sites.....	272,172.36	257,027.75
	\$2,394,653.76	\$2,407,993.26
PATENTS, TRADEMARKS AND COPYRIGHTS.....	1.00	1.00
DEFERRED CHARGES:		
Unexpired insurance premiums, prepaid expenses and supplies.....	147,410.15	67,011.87
	<u>\$9,977,977.22</u>	<u>\$9,320,330.74</u>



SHEET

AND SUBSIDIARY COMPANIES

L I A B I L I T I E S

	December 31	
	1948	1947
CURRENT LIABILITIES:		
Notes payable to banks.....	\$ 200,000.00	\$1,500,000.00
Note installments payable to insurance company in 1949.....	130,000.00
Accounts payable—trade.....	515,202.90	405,234.05
Accrued payrolls, taxes and expenses.....	443,496.87	372,136.23
U. S. and Canadian taxes on income (estimated)—less U. S. Treasury notes \$100,000 in 1948 and \$300,000 in 1947.....	560,053.56	494,446.20
Total current liabilities.....	\$1,848,753.33	\$2,771,816.48
LONG-TERM DEBT (Note 4):		
Note payable to insurance company.....	1,370,000.00
Payable \$65,000 semiannually from 1949 to 1960, less installments included in current liabilities		
DEFERRED FINANCE INCOME.....	45,890.65	33,556.07
RESERVES:		
For product guarantees.....	\$ 25,000.00	\$ 25,000.00
For contingencies (Note 2).....	15,027.00	86,000.00
	\$ 40,027.00	\$ 111,000.00
CAPITAL STOCK:		
Common stock, without par value—		
Authorized—400,000 shares		
Issued—360,000 shares, less 90 shares in treasury		
Stated value \$5 per share.....	1,799,550.00	1,799,550.00
Excess of amount received over stated value.....	595,650.00	595,650.00
PROFITS RETAINED IN THE BUSINESS.....	4,278,106.24	4,008,758.19
	\$9,977,977.22	\$9,320,330.74

CONSOLIDATED STATEMENT OF RESULTS OF OPERATIONS AND PROFITS RETAINED IN THE BUSINESS

IRON FIREMAN MANUFACTURING COMPANY AND SUBSIDIARY COMPANIES

	YEAR ENDING DECEMBER 31	
	1948	1947
Net sales.....	\$13,227,167.92	\$12,810,541.89
Deduct:		
Cost of sales.....	\$ 9,387,671.64	\$ 9,119,592.02
Portion of reserve for additional costs arising out of war restored to income to offset partially reconversion and similar expense in cost of sales, less related reduction of income taxes.....		(200,000.00)
Depreciation.....	325,129.72	277,545.23
Selling, administrative and general expenses.....	2,449,867.85	2,372,474.59
	<u>\$12,162,669.21</u>	<u>\$11,569,611.84</u>
	\$ 1,064,498.71	\$ 1,240,930.05
Other income.....	35,368.27	162,376.63
Portion of reserve for income and excess profits taxes of prior years no longer required	29,808.67	36,929.91
Interest and debt expense.....	(83,450.60)	(50,607.91)
	<u>\$ 1,046,225.05</u>	<u>\$ 1,389,628.68</u>
Provision for U. S. and Canadian taxes on income.....	345,000.00	445,600.00
Profit for year.....	\$ 701,225.05	\$ 944,028.68
Profits retained in the business at beginning of year.....	4,008,758.19	3,496,605.91
	<u>\$ 4,709,983.24</u>	<u>\$ 4,440,634.59</u>
Dividends paid in cash.....	431,877.00	431,876.40
Profits retained in the business at end of year.....	<u>\$ 4,278,106.24</u>	<u>\$ 4,008,758.19</u>

The figures for 1947 have been restated for purposes of comparison.

Auditors Report...

February 15, 1949

TO THE BOARD OF DIRECTORS OF
IRON FIREMAN MANUFACTURING COMPANY:

We have examined the consolidated financial statements of Iron Fireman Manufacturing Company and its subsidiaries relating to the year ending December 31, 1948. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statement of operations present fairly the position of Iron Fireman Manufacturing Company and its subsidiaries at December 31, 1948 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1948

NOTE 1: Net assets of the Canadian subsidiary included in the consolidated balance sheet in U. S. dollars at par of exchange amount to \$869,699.15, of which \$556,955.19 represents net current and working assets. The profit of this subsidiary amounting to \$99,454.51 has been included in the consolidated results of operations; no dividend was received during the year. The consolidated profits retained in the business include \$807,976.84 of undistributed profits of the Canadian subsidiary.

NOTE 2: Renegotiation of war contract sales for the year 1945 was completed in 1948, resulting in a net refund to the government of \$70,973 which was charged to the reserve for contingencies. The reserve for contingencies of \$86,000 was established in 1946 when a special income credit of like amount was reported as profit realized in that year on war contracts terminated in 1945.

NOTE 3: Federal tax returns for the years up to and including the year 1944 have been examined and the additional taxes assessed have been paid.

NOTE 4: The long-term 3½% loan of \$1,500,000, obtained from an insurance company in March 1948, is payable in semiannual installments of \$65,000 commencing March 1, 1949. The loan agreement provides, among other things, that (1) the consolidated net working capital of the Company and its wholly-owned domestic subsidiaries shall be maintained at not less than \$2,000,000, and that (2) dividends paid after December 31, 1947 (except in shares of the Company's capital stock) plus payments on principal of the note shall not exceed consolidated net income of the Company and its wholly-owned domestic subsidiaries since that date plus \$900,000, and provided the consolidated net working capital of the Company and its wholly-owned domestic subsidiaries is or after giving effect to the dividend would be not less than \$3,000,000.

IRON FIREMAN MANUFACTURING COMPANY

OFFICERS AND SENIOR EXECUTIVES

President and General Manager: *T. H. Banfield*
Vice-President and Treasurer: *Frank S. Hecox*
Vice-President in Charge of Sales: *C. T. Burg*
Vice-President in Charge of Mfg.: *Haskell C. Carter*
Secretary: *C. W. Snider*
Executive Assistant: *Lewis J. Cox*
Assistant Secretary: *Omar C. Spencer*
Assistant Secretary: *David L. Davies*

Service Department Manager: *E. C. Webb*
Toronto Plant Manager: *J. M. Mackay*
Heating Control Division Manager: *Wayne C. Shuman*
Portland Plant Coordinator: *T. L. Bryan*
Cleveland Plant Controller: *C. C. Craft*

DIRECTORS

<i>T. H. Banfield</i>	<i>Frank S. Hecox</i>	<i>C. T. Burg</i>
<i>Omar C. Spencer</i>	<i>Roy L. Shurtleff</i>	<i>T. Henry Boyd</i>

VOTING TRUSTEES

<i>T. H. Banfield</i>	<i>Frank S. Hecox</i>	<i>E. C. Sammons</i>
<i>Roy L. Shurtleff</i>	<i>T. Henry Boyd</i>	

COUNSEL

Hart, Spencer, McCulloch & Rockwood

TRANSFER AGENTS AND REGISTRARS FOR STOCK

The Bank of California, N. A., San Francisco
Wells Fargo Bank and Union Trust Company, San Francisco
Continental Illinois National Bank & Trust Company, Chicago
First National Bank, Chicago

PLANTS AND OFFICES

General Offices: 4784 S.E. 17th Avenue, Portland, Oregon

Manufacturing Units:

4784 S.E. 17th Ave., Portland, Oregon
2838 S.E. 9th Ave., Portland, Oregon

3170 West 106th St., Cleveland, Ohio
80 Ward St., Toronto, Canada

Retail Offices:

4629 S.E. 17th Ave., Portland, Oregon
1101 W. Adams St., Chicago, Ill.
2250 Euclid Ave., Cleveland, Ohio

3114 Washington Ave., St. Louis, Missouri
4507 W. Wisconsin Ave., Milwaukee, Wis.
356 Fourth Ave., Brooklyn, N. Y.
80 Ward St., Toronto, Canada

Divisional Sales Offices:

3170 W. 106th St., Cleveland, Ohio
Paul Brown Bldg., St. Louis, Missouri
Plymouth Bldg., Minneapolis, Minnesota

Rhodes Haverty Bldg., Atlanta, Georgia
4784 S.E. 17th Ave., Portland, Oregon

Special Representative:

Philip M. Riefkin, Union Trust Bldg., Washington, D. C.